

Message Text

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SUBJECT: SWAZILAND 1974-75 BUDGET SPEECH

REF: MBABANE 0549

SUMMARY: MINISTER FINANCE ROBERT STEPHENS READ HIS 1974-75 BUDGET SPEECH ON RADIO SWAZILAND EVENING OF MARCH 26. IN ADDITION TO ANNOUNCEMENT THAT SWAZILAND TO INTRODUCE ITS OWN CURRENCY (REPORTED REFTEL), HIGHLIGHTS OF SPEECH INCLUDED SUMMARIZING SWAZILAND'S DEVELOPMENT OF FINANCIAL INSTITUTIONS SUCH AS ROYAL SWAZILAND INSURANCE CORPORATION AND LEGISLATION PROVIDING FOR 40 PERCENT PARTICIPATION IN SWAZILAND'S BANKS EFFECTIVE APRIL 1, 1974; A 32 PERCENT RISE IN RECURRENT BUDGET EXPENDITURES FOR 74-75 TO A TOTAL OF R34.9 MILLION LEADING TO AN EXPECTED DEFICIT OF R1.5 MILLION; AND A 75 PERCENT EFFECTIVE INCREASE IN THE

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CAPITAL BUDGET TO A 1974-75 TOTAL OF R16 MILLION. TOTAL

75-75 BUDGET THEREFORE JUST OVER R50 MILLION. REVENUES TO COVER HIGHER EXPENDITURES ARE ANTICIPATED TO DERIVE FROM FISCAL CHANGES, TIGHTENED TAX COLLECTION, AND AID FROM ADDITIONAL DONOR COUNTRIES SUCH AS CANADA AND GERMANY. AIRGRAM TO FOLLOW WHEN DETAILED BUDGET ESTIMATES PUBLISHED. END SUMMARY.

1. MINISTER FINANCE ROBERT STEPHENS PRESENTED HIS 1974-75 BUDGET TO NATION ON RADIO SWAZILAND EVENING OF MARCH 26, 1974. SUMMARY OF MAIN POINTS OF BUDGET SPEECH FOLLOWS:

A) ECONOMIC REPORT: PREVIOUS YEAR WAS ONE OF TURMOIL WITH INFLATION, MONETARY UNCERTAINTIES AND DEVALUATION OF POUND FOLLOWED BY ENERGY CRISIS WHICH HITS POORER NATIONS HARDER THAN DEVELOPED. SWAZILAND SUGAR INDUSTRY HARD HIT BY POUND DEVALUATION, BUT HIGH WORLD SUGAR PRICES SUGAR WELL FOR FUTURE. MINERALS PERFORMANCE IN SWAZILAND MIXED DURING PAST YEAR WITH ASBESTOS PRODUCTION UP 46 PERCENT BUT FUTURE LOOKING UNCERTAIN. IRON ORE EXPORTS FELL AND PROSPECTS BLEAK. ON BRIGHT SIDE, COAL AND DIAMOND MINING MAY BECOME VIABLE IN SWAZILAND. AGRICULTURE HAD GOOD YEAR WITH RECORD MAIZE AND COTTON CROPS. TOURIST TRADE CONTINUED STRONG DESPITE ENERGY CRISIS; PROBLEM IN TOURISM REMAINED UNDERCAPACITY TOURIST FACILITIES. (IN SEPARATE CONVERSATION STEPHENS ESTIMATED GOS REALIZED ONE MILLION RAND FROM HOLIDAY INN AND ROYAL SWAZI SPA PAST YEAR.)

B) FINANCIAL INSTITUTIONS: POLICY OF MINISTRY FINANCE IS TO CHANNEL INTERNAL SAVINGS INTO DEVELOPMENT OF SWAZILAND. THIS BEING ACCOMPLISHED BY;

1) CREATION IN SWAZILAND OF SMALL AND GROWING MONEY AND CAPITAL MARKET THROUGH, E.G. FINANCIAL INSTITUTIONS ORDER OF 1973 WHICH REQUIRES FINANCIAL INSTITUTIONS MAINTAIN MINIMUM CAPITAL AND LIQUID ASSET RATIOS WITHIN COUNTRY;

2) CREATION OF SWAZILAND ROYAL INSURANCE CORPORATION EFFECTIVE JANUARY 1, 1974 WHICH HAS TAKEN UNCLASSIFIED

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OVER COMPULSORY MOTOR VEHICLE INSURANCE AND WILL SOON TAKE OVER ALL NEW LIFE INSURANCE BUSINESS;
3) CONVERSION SWAZILAND CREDIT AND SAVINGS BANK (SCSB) INTO SWAZILAND DEVELOPMENT AND SAVINGS BANK (SDSB) WITH EMPHASIS ON DEVELOPMENT PROJECTS AND INCREASE EQUITY OF BANK BY GOVERNMENT CAPITAL FROM R2 MILLION TO R5 MILLION;
4) INCREASE IN SWAZI PARTICIPATION OF FINANCIAL

INSTITUTIONS SECTOR. BARCLAY'S AND STANDARD BANKS TO BECOME INCORPORATED WITHIN SWAZILAND WITH GOS TO HOLD 40 PERCENT INTEREST;

5) SWAZILAND'S CREATION OF ITS OWN CURRENCY WITHIN RAND MONETARY AREA EFFECTIVE SEPTEMBER 6, 1974 (REPORTED REFTEL).

C) RECURRENT EXPENDITURES: YEAR BEGINS WITH SURPLUS OF R1.9 MILLION. LAST YEAR'S EXPENDITURES EXCEEDED ORIGINAL ESTIMATES BY APPROXIMATELY R3 MILLION, WITH LARGEST SINGLE UNANTICIPATED ITEM BEING NEW SWAZI ARMY (R1.1 MILLION). DETAILED RECURRENT ESTIMATES FOR 74-75 TO BE AVAILABLE SHORTLY, WILL BE PRINTED IN NEW PROGRAM AND PERFORMANCE BUDGETING FORMAT. ESTIMATES TOTAL RECURRENT EXPENDITURES SHOW RISE OF 32 PERCENT OVER LAST YEAR, FROM R22.3 MILLION TO R29.6 MILLION, EXCLUDING APPROPRIATION TO SPECIAL FUNDS AND FINANCIAL INVESTMENTS. INCLUSION OF OTHER FINANCIAL TRANSFERS RAISES OVERALL REQUIREMENT TO R34.9 MILLION. EDUCATION, HEALTH, AND AGRICULTURE TO BENEFIT PRIMARILY FROM HIGHER BUDGETS. ANTICIPATED REVENUE FOR 74-75 ESTIMATED AT R32.8 MILLION WHICH WILL WIPE OUT PRESENT SURPLUS AND LEAVE EXPECTED DEFICIT OF R1.05 MILLION AT END OF NEXT FISCAL YEAR.

D) FISCAL CHANGES:

1) MOTOR VEHICLE LICENSE FEES TO BE INCREASED;
2) TRADING LICENSE FEES TO BE INCREASED;
3) SUGAR EXPORT LEVY TO BE AMENDED IN FAVOR OF SUGAR INDUSTRY. DUE TO INCREASED WORLD SUGAR PRICES, HOWEVER, NO DECREASE IN SUGAR LEVY REVENUE EXPECTED.

E) CAPITAL BUDGET: TOTAL ESTIMATES FOR CAPITAL BUDGET WILL BE R16 MILLION. MORE COUNTRIES, E.G. CANADA UNCLASSIFIED

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AND GERMANY, NOW WILLING PROVIDE LOANS ON CONCESSIONAL TERMS TO SWAZILAND. LARGEST ALLOCATION OF CAPITAL FUNDS GOES TO AGRICULTURE IN ACCORD WITH NATIONAL DEVELOPMENT PLAN. OTHER PRIORITY TARGETS WILL BE EDUCATION, HEALTH, HOUSING, AND INDUSTRIAL DEVELOPMENT.

2. MINFINANCE ALSO REFERRED TO LOW LEVEL SWAZILAND DEBT FINANCING (3.6 PERCENT) WHICH POINTS TO GOOD CAPACITY OF COUNTRY TO ABSORB CONCESSIONARY LOANS TO FINANCE DEVELOPMENT.

3. AIRGRAM TO FOLLOW UPON PUBLICATION DETAILED ESTIMATES WHICH EXPECTED SHORTLY.
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